

BACKGROUND
BRIEFING



Medical Assistance Budget Drivers

Recent Utilization and Cost Trends

PART 1
STILL IN THE
NEWS

Nationwide, health
care costs are
affecting businesses,
government, and
consumers

The New York Times

SUNDAY, DECEMBER 10, 2000 1:44 PM ET

Consumers Facing Sharp Rise in Health Costs

By MILT FREUDENHEIM

Consumers across the country will face their health care costs starting next month, medical inflation since the early 1990's. The

THE WALL STREET JOURNAL

A2 THE WALL STREET JOURNAL FRIDAY, JANUARY 5, 2001

ECONOMY

Suddenly, States' Budget Picture Isn't as Pretty Anymore

Rising Medicaid Costs Threaten Spending Levels and Popular Tax Cuts

In the next fiscal year, "many of our state agencies will see zero [revenue] increases," says Thomas W. Johnson, director of Ohio's Office of Budget and Management. Others, Mr. Johnson adds, may be subject to spending cuts. He declines to identify which programs could be hit, adding that Gov. Bob Taft intends to present his budget proposal to the Legislature

Falling Off

Dwindling sales-tax collections and other income sources have caused slower growth in state revenue.

\$10
\$

soured since then, National Governors' Association executive director Raymond Scheppach now says as many as 20 states may look for spending cuts immediately. Even so, most states have a nice cushion to fall back on. By and large, states are sitting on their largest cash balances—the combination of budget surpluses and rainy-day funds—in 20 years.

The New York Times

FRIDAY, MARCH 9, 2001

Free Spending in Flush Times Is Coming Back to Haunt States

The New York Times

WEDNESDAY, MARCH 7, 2001

More Money Needed for Drug Coverage, Lawmakers Say



The New England Journal of Medicine

The New England Journal of Medicine — March 8, 2001 — 344, no. 10

HEALTH POLICY 2001

Controlling Health Care Expenditures

After a few years of success in controlling the costs of health care, the United States again faces the challenge what, if anything to do about skyrocketing health care expenditures. Dealing with this challenge, which dominates the health policy agenda from the late 1960s until the 1990s, will be extremely difficult under any circumstances. It may prove impossible unless the factors that prevent and uninsured persons from obtaining medical care are addressed simultaneously.

to Arizona, in commitments for college scholarships, will have a hard time

SUNDAY
March 18, 2001

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Expensive new prescription treatments threatening state's health-care budget

By Ralph Thomas

Seattle Times Olympia bureau

OLYMPIA - Within the state's soaring health-care budgets, prescription costs have been climbing the fastest. And there's little slowdown in sight. The shorthand explanation: Pharmaceutical companies are making more drugs, charging more money and marketing more aggressively. Meanwhile, government is providing health-care coverage for more people, and those people are getting more prescriptions.

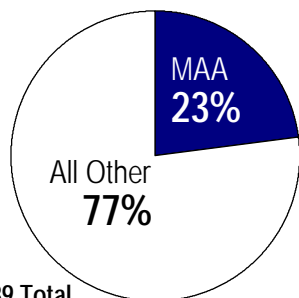


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PART 1

MEDICAL ASSISTANCE SPENDING

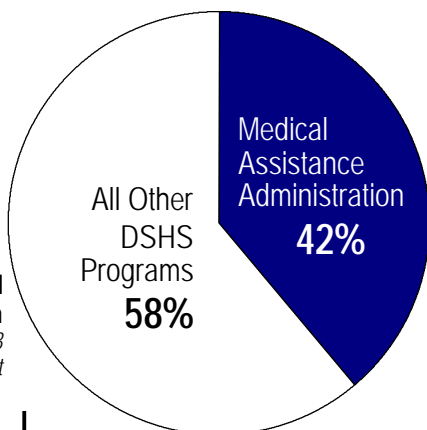
All Funds



1987-89 Total
\$4.5 Billion

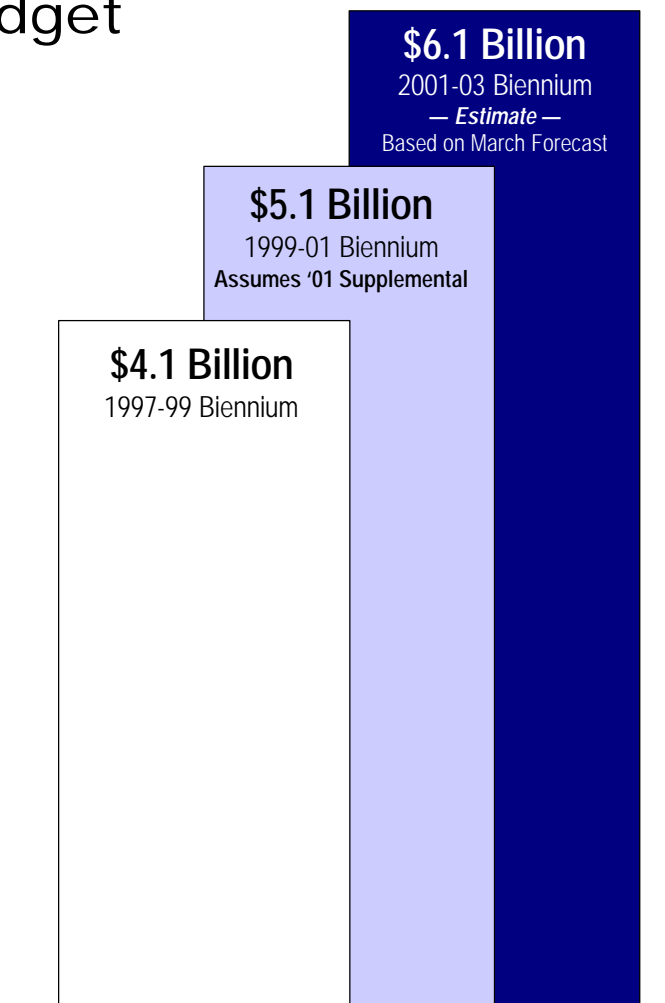
2001-03 Proposed
\$14.4 Billion
*Estimate, based on 2001-03
Forecast*

The Biggest Part of the DSHS Budget



A Growing Factor in the DSHS Budget

MAA Costs



PART 2 Elements That Drive the Numbers

- ▶ 15 categories of eligibility
 - Major groupings include: TANF, Aged, Blind, Disabled, Children, Pregnant Women
- ▶ Over 15 types of services purchased
 - Major groupings include: Drugs, Out-patient hospital, In-patient hospital, Physicians, Dental, Vision, Managed Care

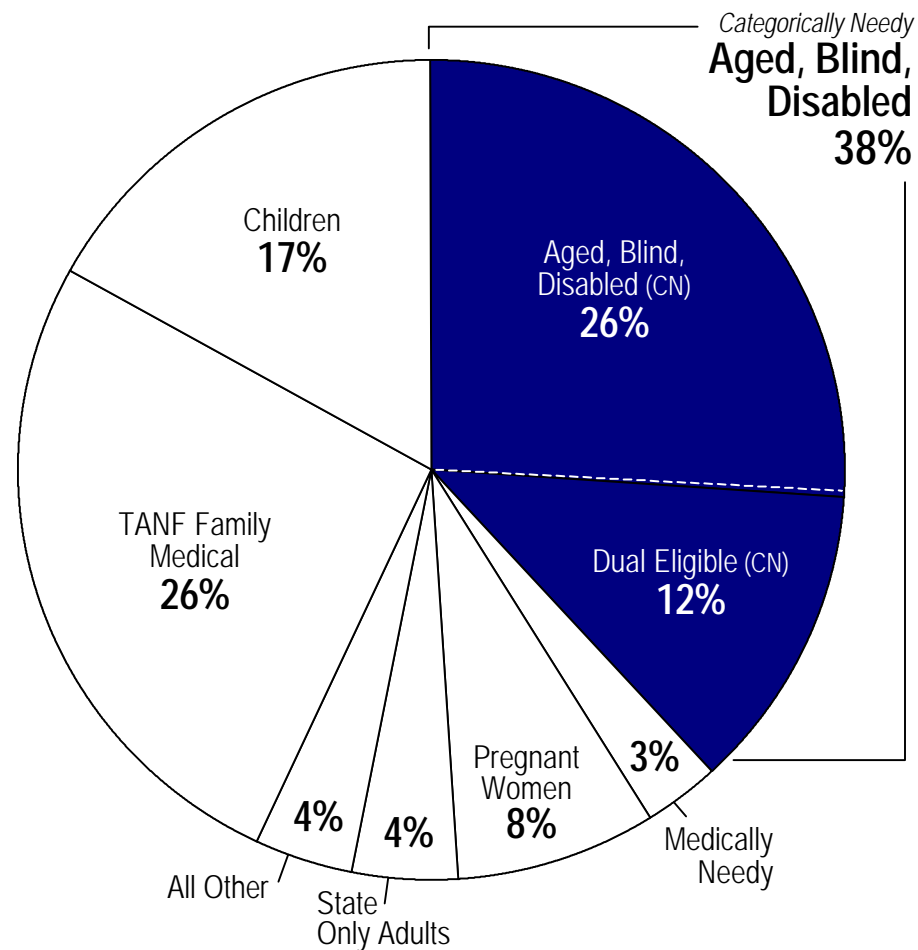
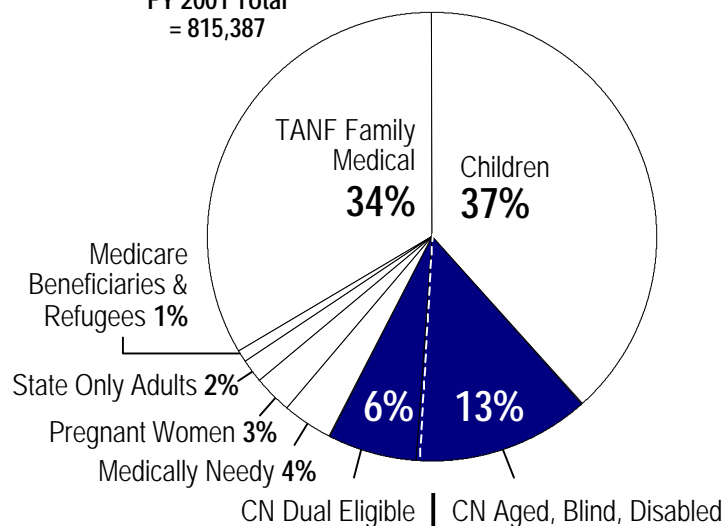
PART 2
BEHIND THE
NUMBERS

Medical Assistance Dollars

Estimated FY 2001 Service Expenditures = \$2.3 billion, Excluding Administration ♦ All Funds

MAA Clients

FY 2001 Total
= 815,387

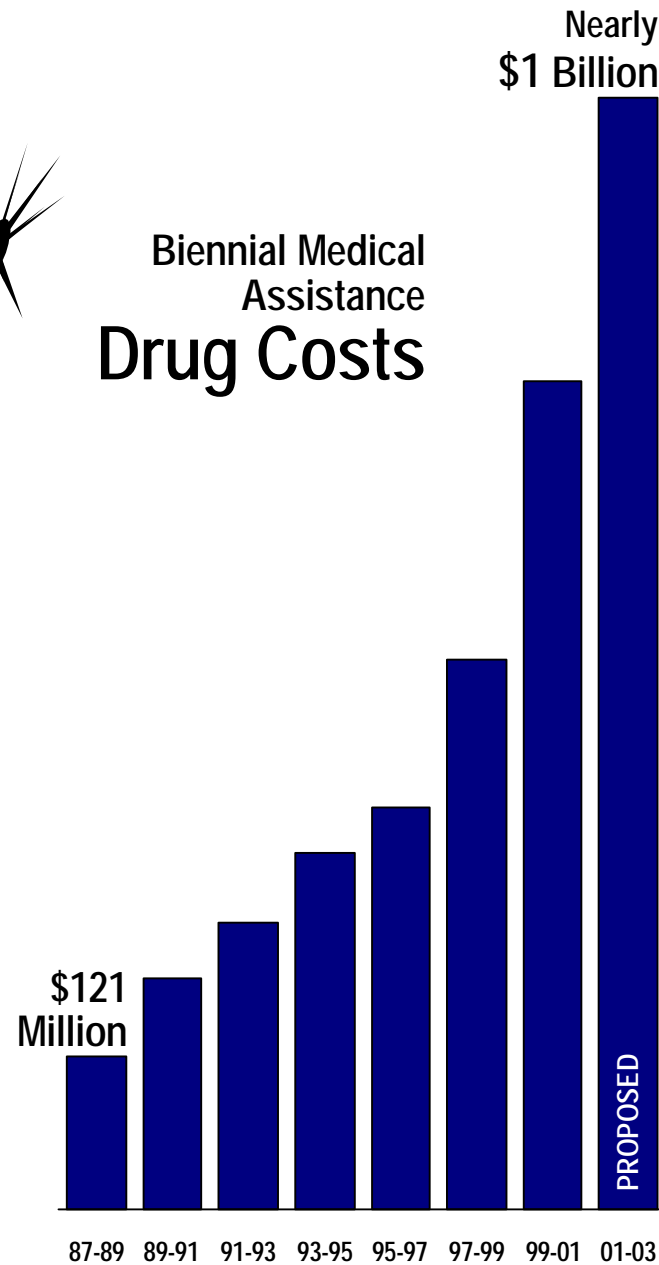


PART 2

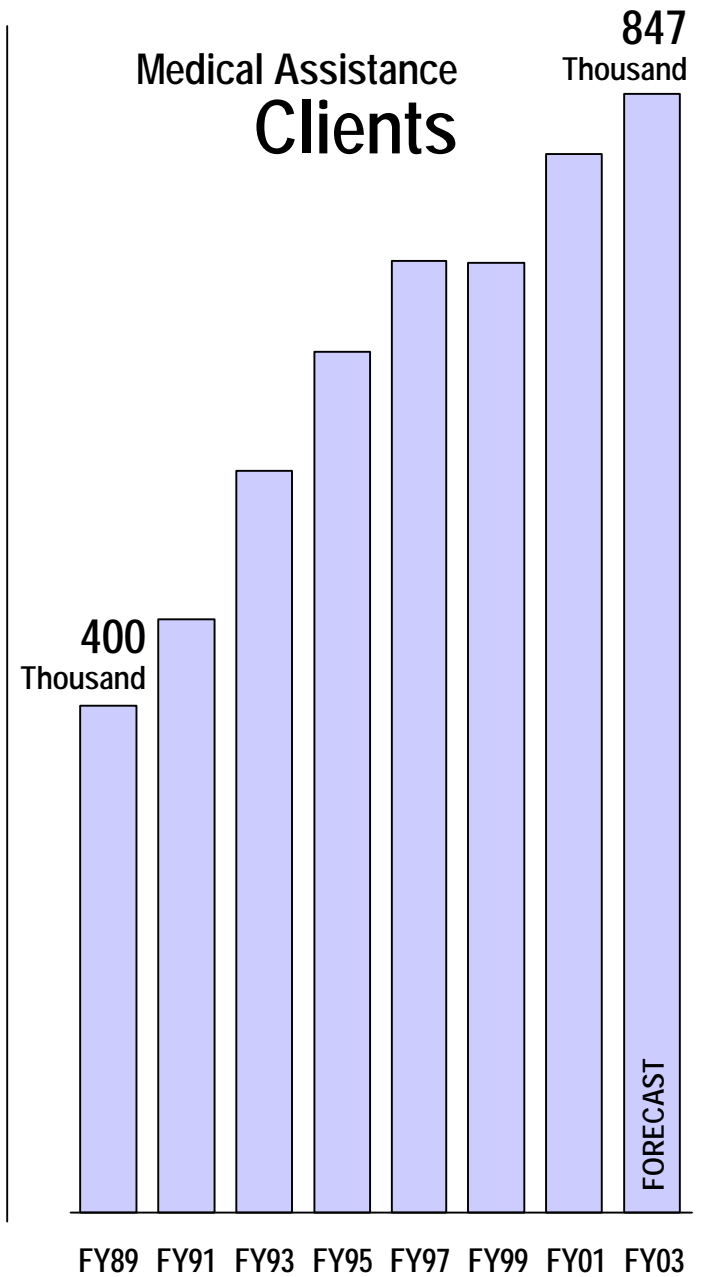
BEHIND THE NUMBERS

A single component is growing faster than all others, and caseloads continue to rise

Biennial Medical Assistance Drug Costs



Medical Assistance Clients

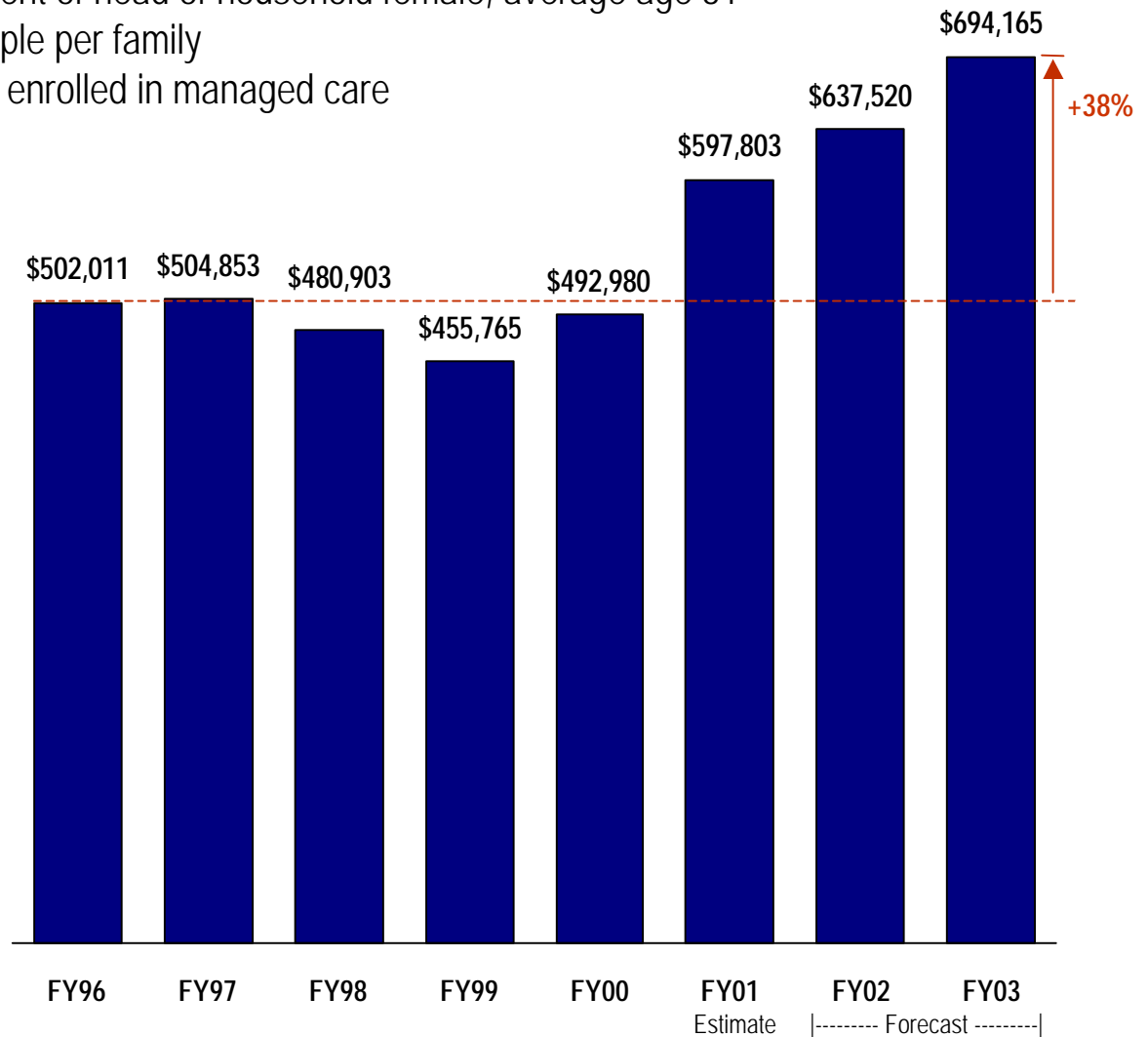
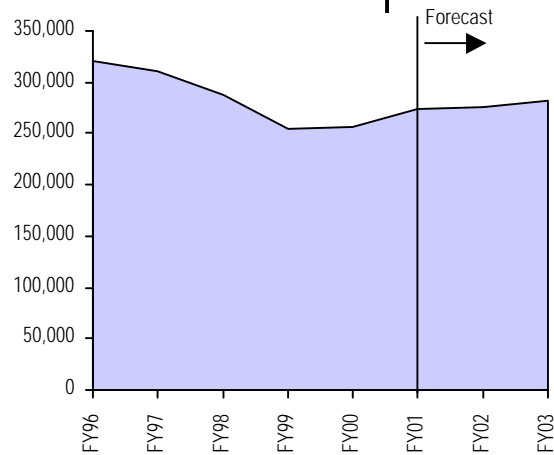


PART 2
**TEMPORARY
 ASSISTANCE
 for NEEDY
 FAMILIES
 (TANF)**

Expenditures

- ▶ 34 percent of the caseload, 26 percent of the expenditures
- ▶ 81 percent of head of household female, average age 31
- ▶ 2.7 people per family
- ▶ Largely enrolled in managed care

Clients



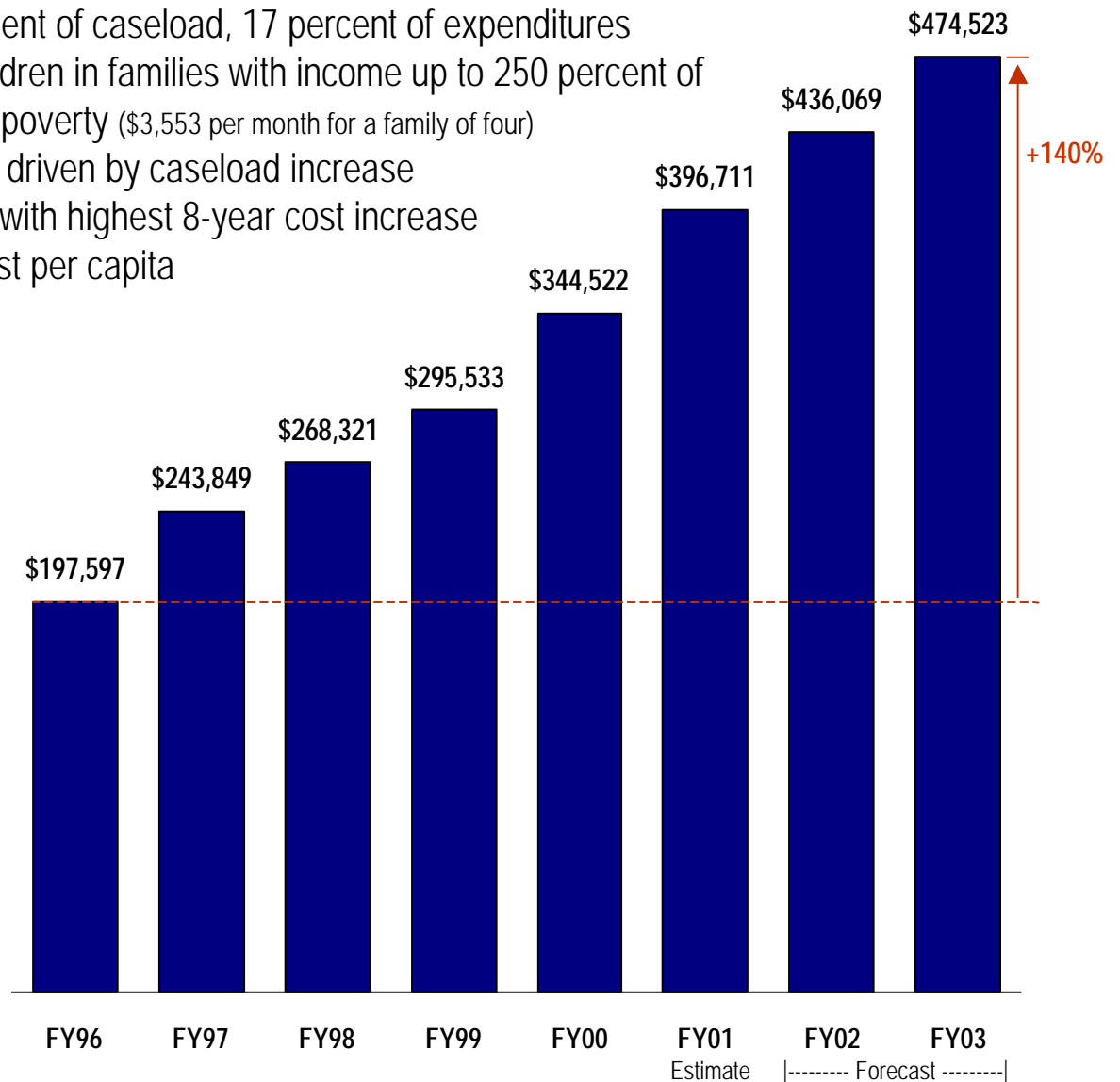
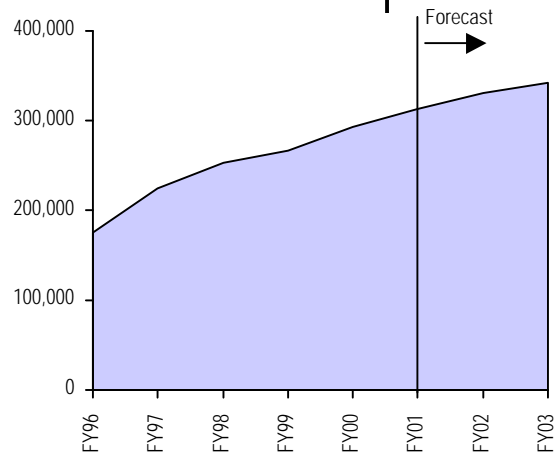
PART 2

**COVERAGE for
UNINSURED
CHILDREN**
(CN, CHIP,
State Only Less
Than18)

Expenditures

- ▶ 37 percent of caseload, 17 percent of expenditures
- ▶ For children in families with income up to 250 percent of federal poverty (\$3,553 per month for a family of four)
- ▶ Growth driven by caseload increase
- ▶ Cohort with highest 8-year cost increase
- ▶ Low cost per capita

Clients

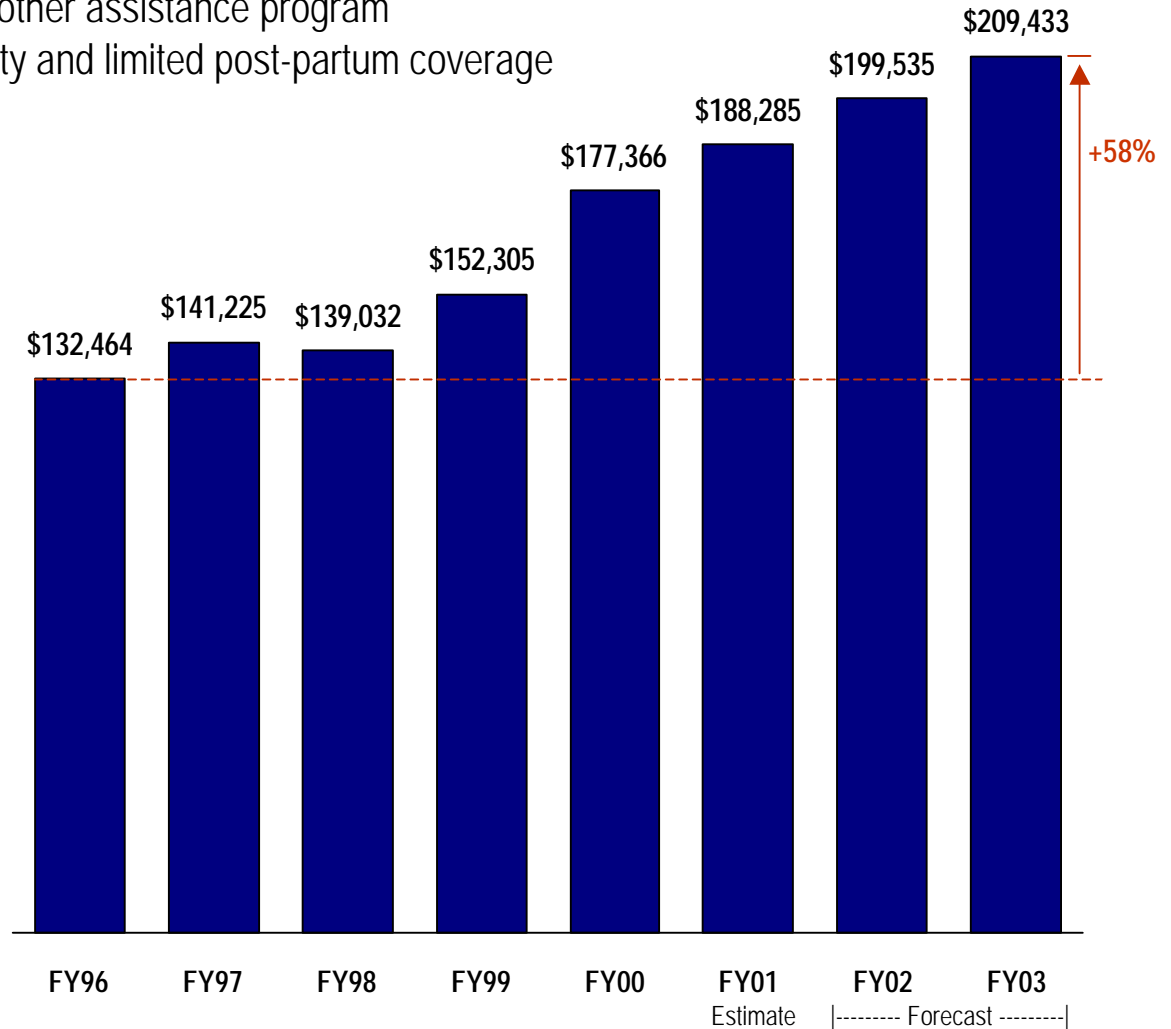
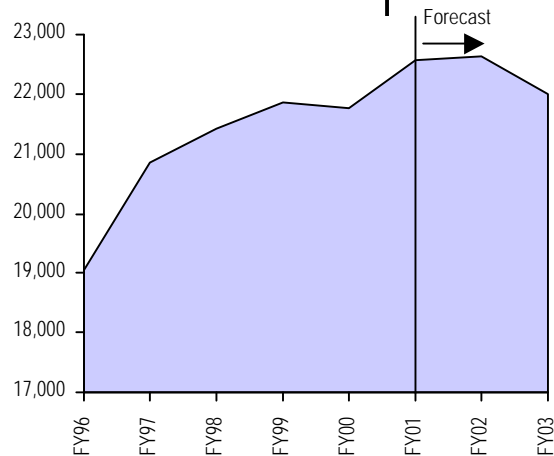


PART 2
PREGNANT
WOMEN
(CN)

Expenditures

- ▀ 3 percent of caseload, 8 percent of expenditures
- ▀ Low income – 185 percent of federal poverty or below
- ▀ Not on other assistance program
- ▀ Maternity and limited post-partum coverage

Clients

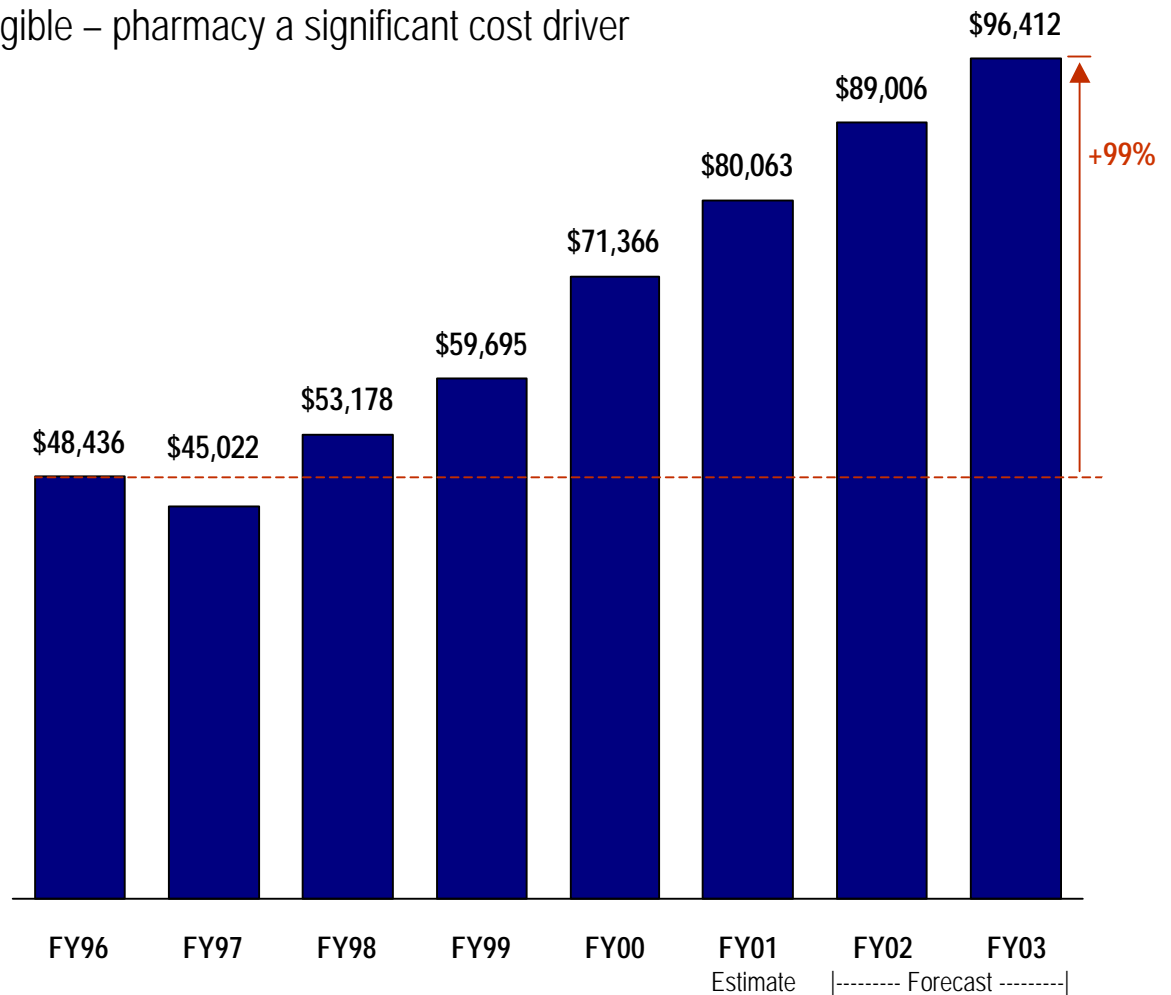
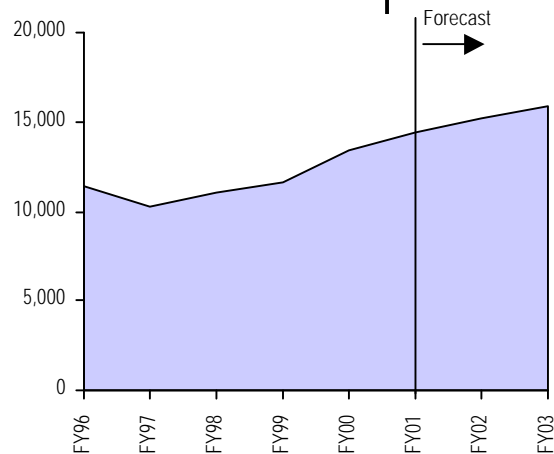


PART 2 MEDICALLY NEEDY

Expenditures

- ▶ 4 percent of caseload, 3 percent of expenditures
- ▶ Medical care costs would deplete personal resources
- ▶ State costs driven by services not covered by Medicare
- ▶ Dual eligible – pharmacy a significant cost driver

Clients



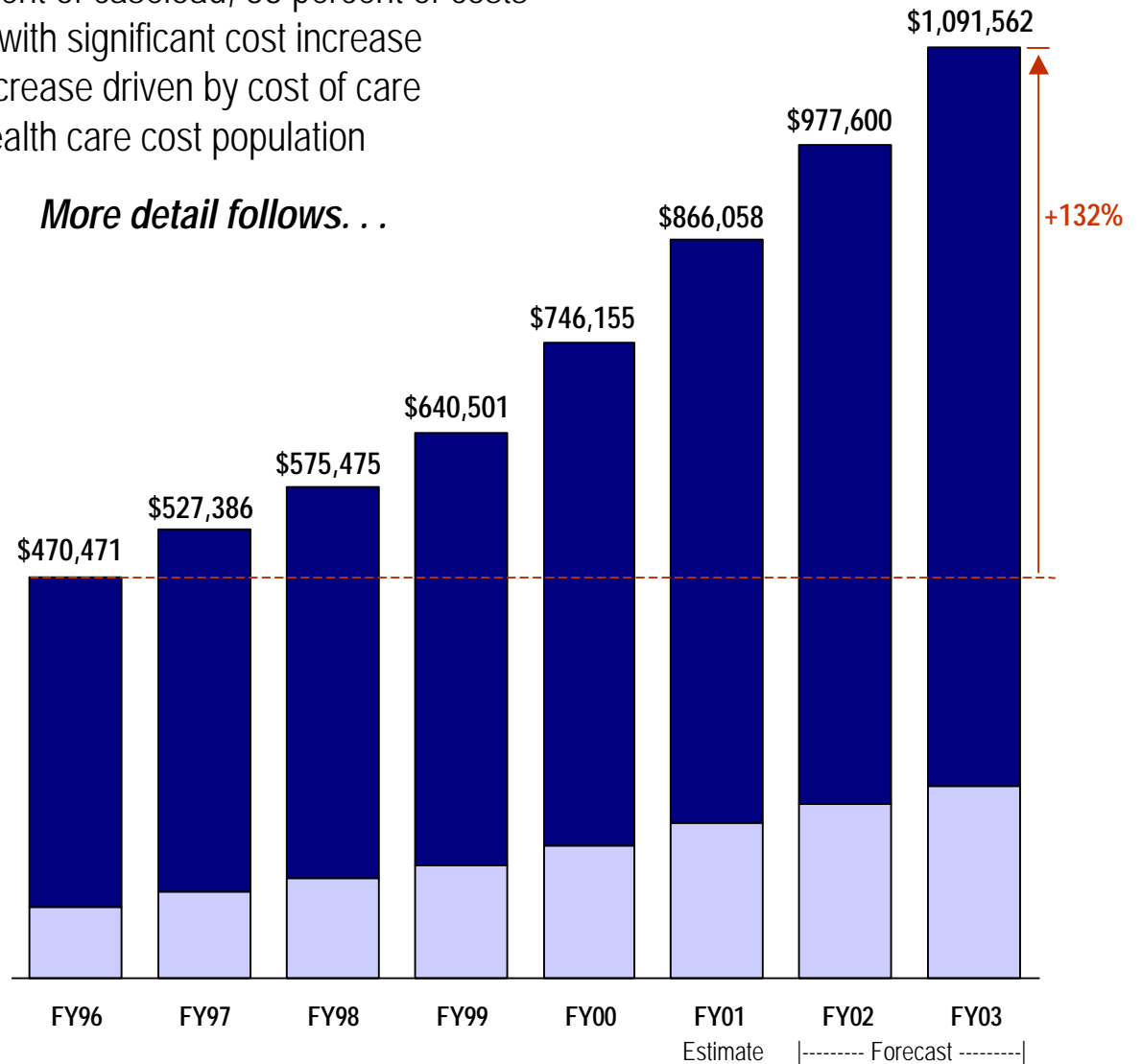
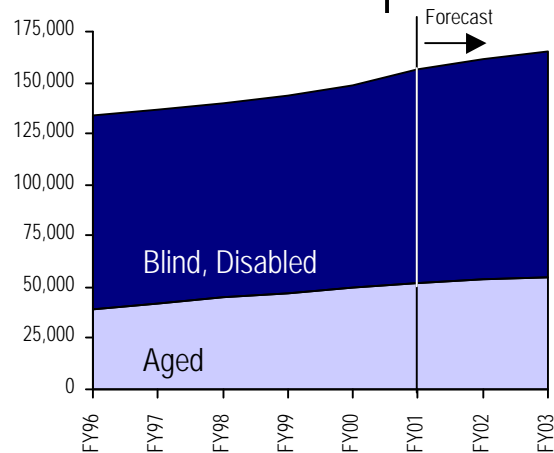
PART 2
AGED, BLIND,
DISABLED
(CN)

Expenditures

- 19 percent of caseload, 38 percent of costs
- Cohort with significant cost increase
- Cost increase driven by cost of care
- High health care cost population

More detail follows. . .

Clients



PART 3 The CN Aged, Blind, Disabled

- ▶ The most expensive cohort
- ▶ The cohort with the highest cost increase driven by cost of services purchased
- ▶ State costs driven by lack of Medicare pharmacy benefit

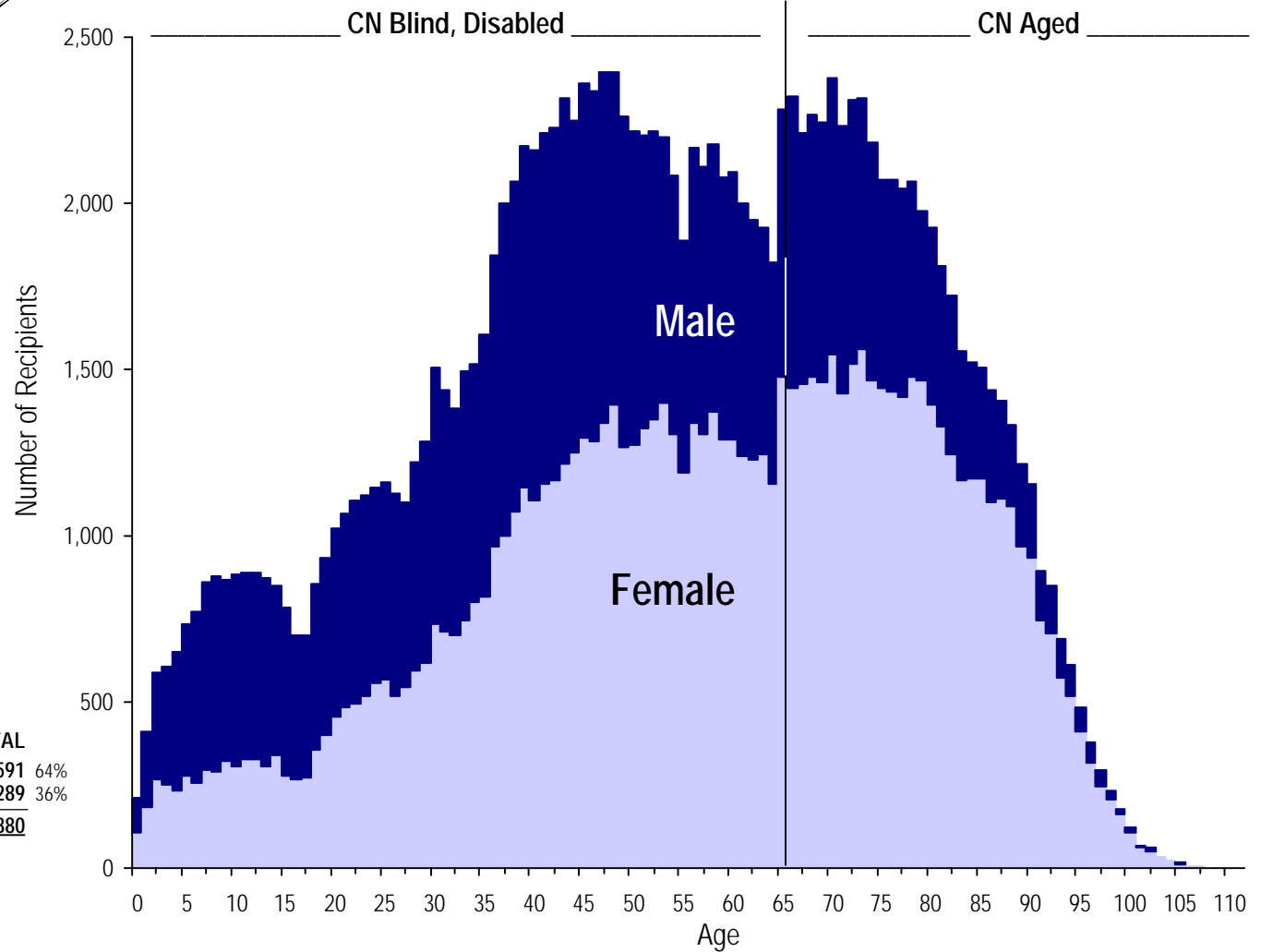
Ranging From Birth to 111 years

PART 3

AGED, BLIND, DISABLED (CN)

Age and Gender
Distribution
Total Clients FY 2000
= 151,880

	Female	Male	TOTAL	
Blind, Disabled	51,605	45,986	97,591	64%
Aged	38,765	15,524	54,289	36%
TOTAL	90,370	61,510	151,880	
	60%	40%		



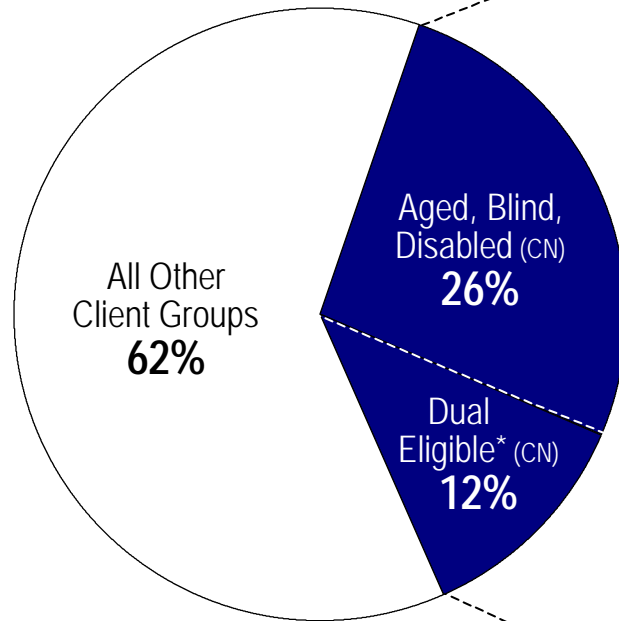
Major Services We Buy for Aged, Blind, Disabled

PART 3

AGED, BLIND, DISABLED (CN)

Estimated FY 2001
Expenditures for MAA
= \$2.3 Billion
All Funds
*Excludes Disproportionate
Share Hospital Payments*

All Medical Assistance Administration Services



Estimated Payments for Services Provided for all
MAA clients, FY 2001= \$2.3 Billion (All Funds)

Aged, Blind, Disabled (CN)

All Other • Durable Medical Equipment • Transportation	13%
Physician Services	9%
Outpatient Hospital	11%
Inpatient Hospital	26%
Prescription Drugs	41%

Total = \$866.1 Million
All Funds

* The "Dual Eligible" population is eligible for both Medicaid and Medicare services. For those people, the state pays deductibles, co-pays, and premiums that cannot be afforded by clients and services that Medicare does not cover, such as prescription drugs.

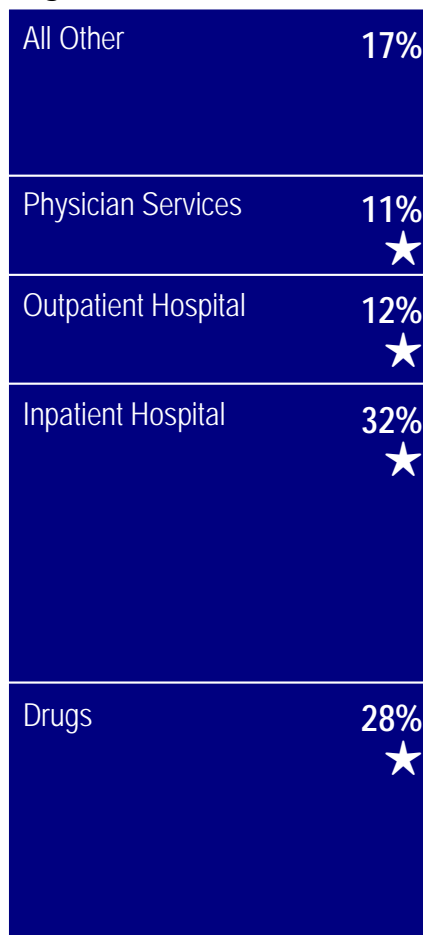
SOURCE: DSHS Budget Division, Forecasting Office. Dollars are adjusted to include forecasted estimates for services that have been received but not yet paid.

PART 3 AGED, BLIND, DISABLED (CN)

Estimated FY 2001 Expenditures = \$866.1 Million All Funds

Drug Costs a Major Factor Lack of Medicare Benefit Drives Medicaid Costs

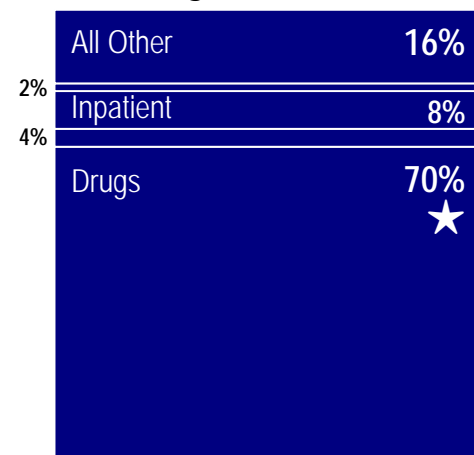
Aged, Blind, Disabled (CN)



Total = \$580.3 Million

★ = Major Cost Drivers
More detail provided

Dual Eligible* (CN)



Represents co-pays, deductibles, premiums only

Total = \$285.8 Million

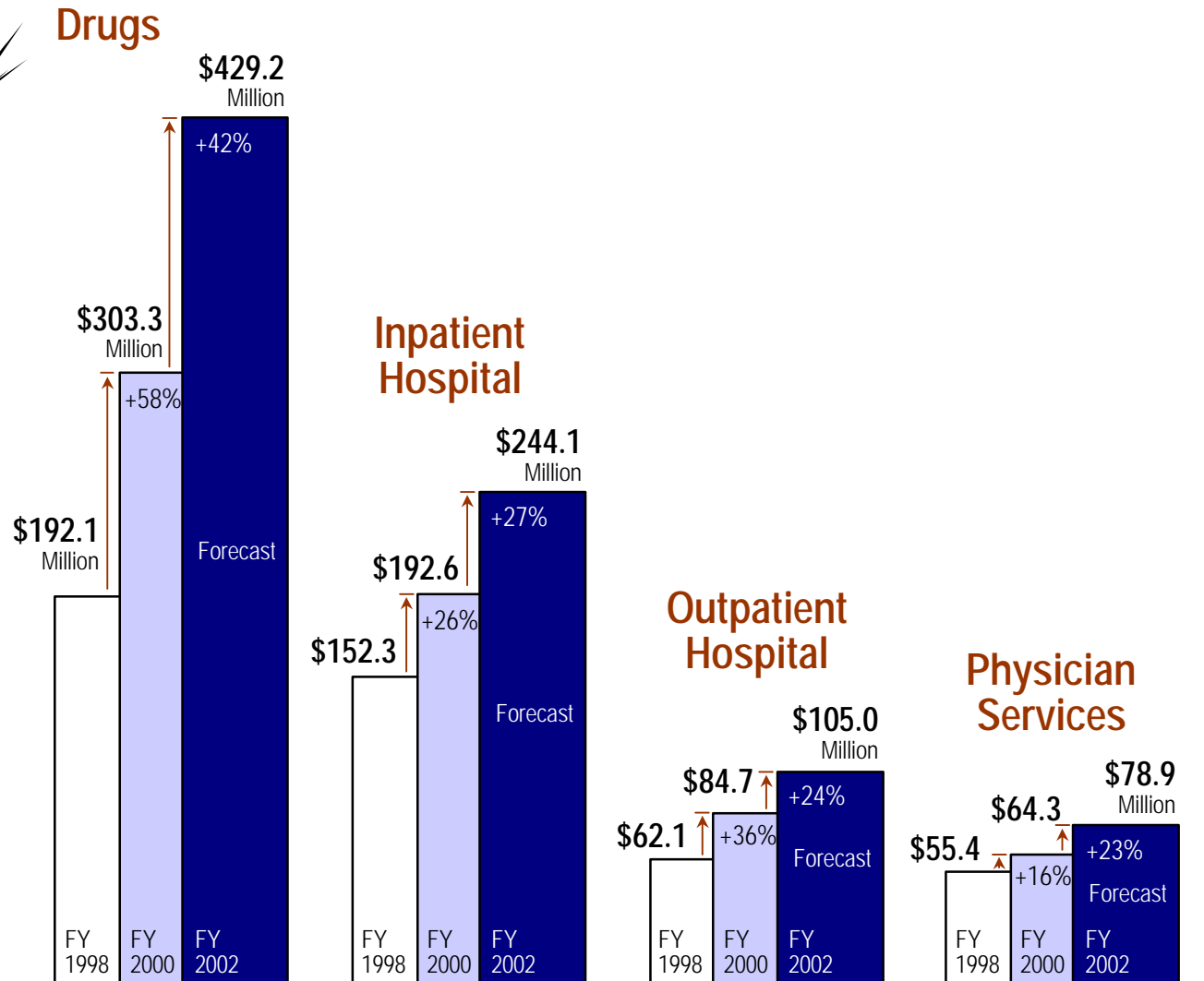
* The "Dual Eligible" population is eligible for both Medicaid and Medicare services. For those people, the state pays deductibles, co-pays, and premiums that cannot be afforded by clients and services that Medicare does not cover, such as prescription drugs.

SOURCE: Percentages are based on expenditure data supplied by the DSHS Medical Assistance Administration.

PART 3
AGED, BLIND,
DISABLED
(CN)

Medical Cost Increases

Two-year Increases



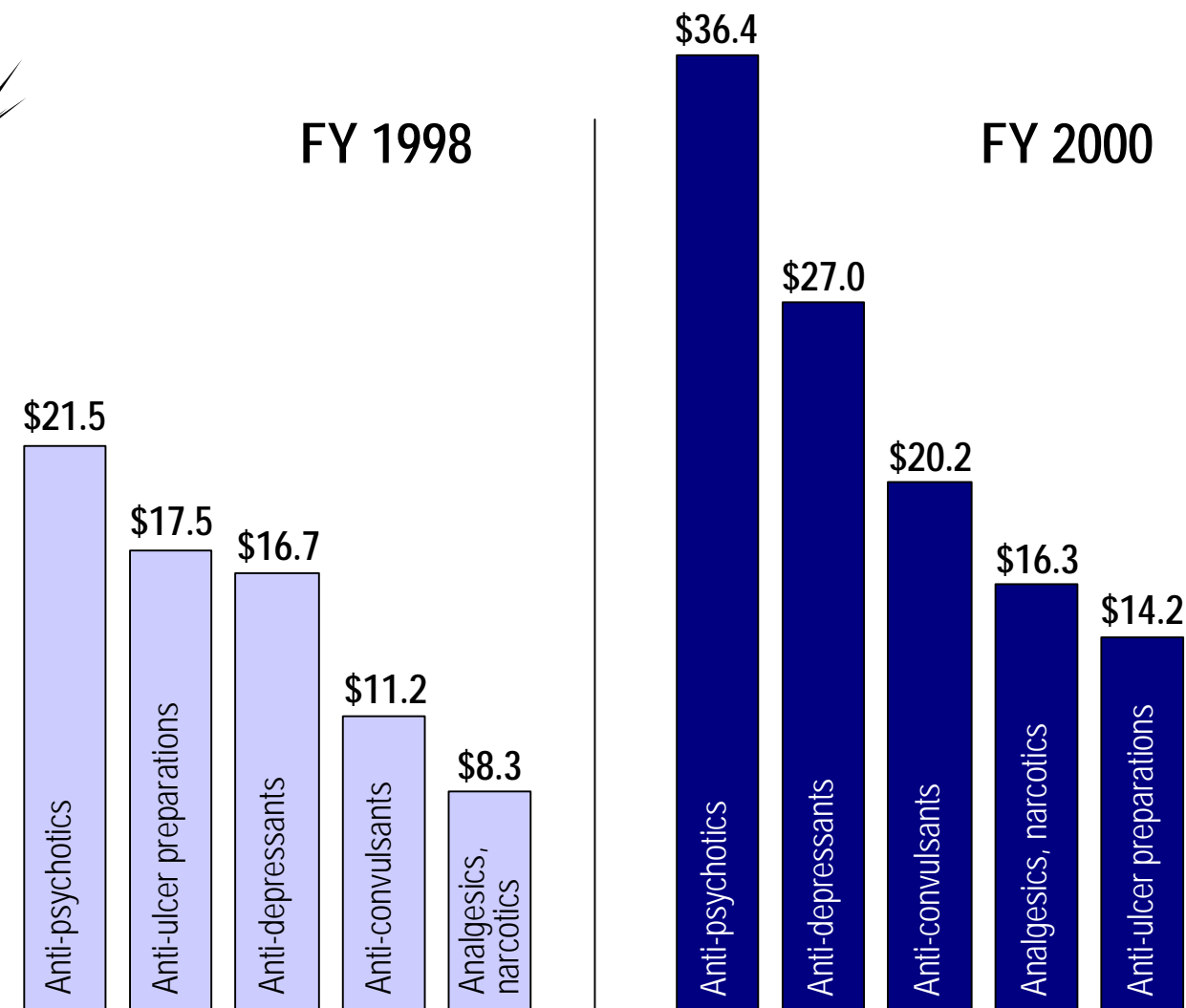
SOURCE: DSHS Budget Division, Forecasting Office. Dollars are adjusted to include forecasted estimates for services that have been received but not yet paid.

PART 3
 AGED, BLIND,
 DISABLED
 (CN)

The Top 5 Drugs
 Accounted
 for 38 Percent
 of All Drug Costs
 in FY 2000

Top 5 Drug Categories

Annual Cost in Millions



SOURCE: DSHS Medical Assistance Utilization and Cost Detail, March 19, 2001. Numbers are based on current payment information from the Medical Management Information System and are not adjusted to reflect estimates for services that have been received but not yet paid.

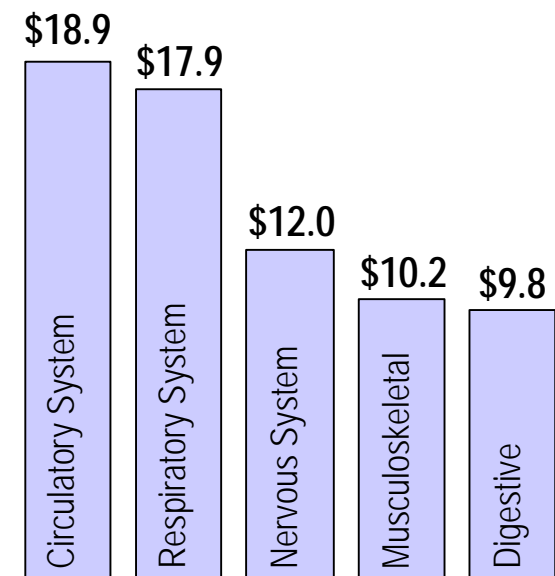
PART 3
 AGED, BLIND,
 DISABLED
 (CN)

The Top 5 Inpatient
 Hospital Costs
 Accounted for 45
 Percent of All
 Inpatient Hospital
 Costs in FY 2000

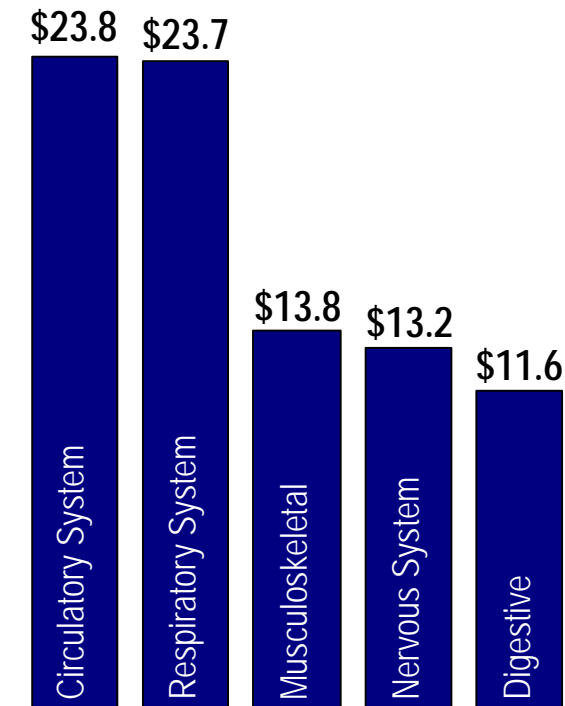
Top 5 Inpatient Hospital Costs

Annual Cost in Millions

FY 1998



FY 2000



SOURCE: DSHS Medical Assistance Utilization and Cost Detail, March 19, 2001. Numbers are based on current payment information from the Medical Management Information System and are not adjusted to reflect estimates for services that have been received but not yet paid.

PART 3

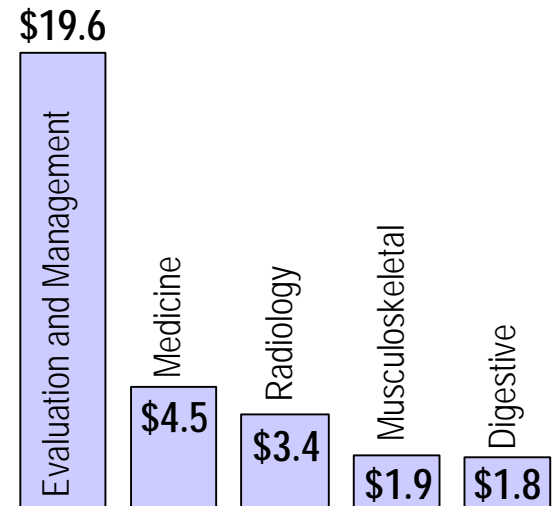
AGED, BLIND,
DISABLED
(CN)

The Top 5 Physician
Service Costs
Accounted for 74
Percent of All
Physician Costs
in FY 2000

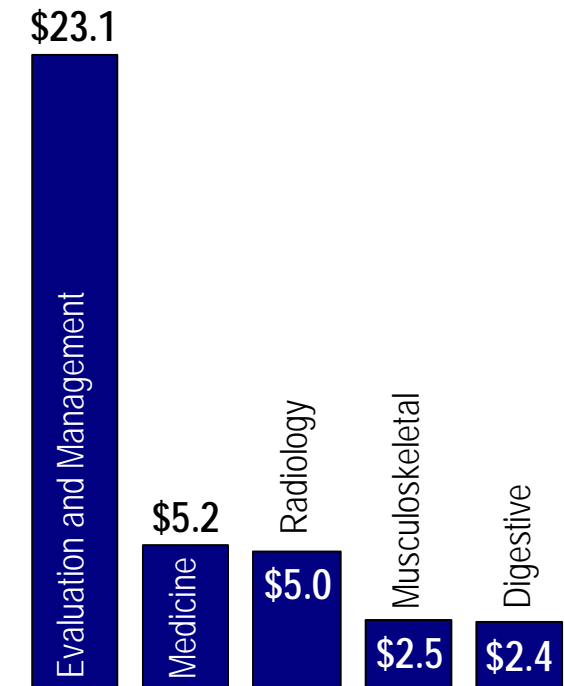
Top 5 Physician Service Procedure Categories

Annual Cost in Millions

FY 1998



FY 2000



SOURCE: DSHS Medical Assistance Utilization and Cost Detail, March 19, 2001. Numbers are based on current payment information from the Medical Management Information System and are not adjusted to reflect estimates for services that have been received but not yet paid.

PART 3

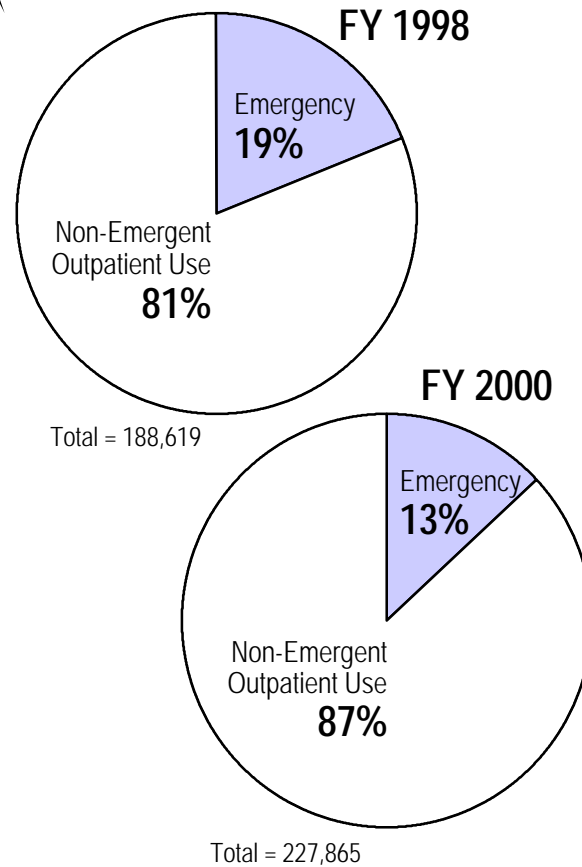
AGED, BLIND,
DISABLED
(CN)

Outpatient Use and
Costs are Increasing

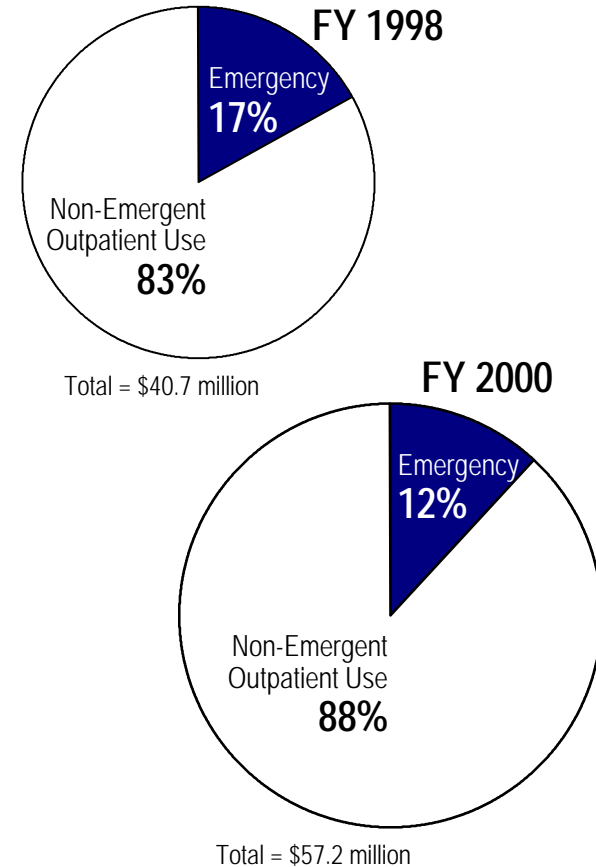
Outpatient Hospital Emergency and Non-Emergent Use

Annual Number of Visits and Annual Cost

Visits **↑20%**



Dollars **↑31%**



SOURCE: DSHS Medical Assistance Utilization and Cost Detail, March 19, 2001. Numbers are based on current payment information from the Medical Management Information System and are not adjusted to reflect estimates for services that have been received but not yet paid.